Special 2010 Tax Year Issue

Understanding Your W-2 Form & More

The following information (provided by the Payroll Unit, & the attachment to D.O. #6) is to help members better understand their W-2 forms and deductions (Annual Statement of Salary and Wages):

1. Verifying Line-of-Duty Injury (LODI) Tax Deduction
IRS regulations provide favorable tax treatment of your wages during the approved leave period of injury. Wages will be treated on a pre-tax basis. The Dept computes your LODI medical leave days automatically and deducts the dollar amount from your taxable income. The LODI days are not calculated by TPR codes. It is based on calendar days, not the days you missed tours.

The dollar amount of the LODI to be excluded from your 2010 taxable income will be indicated in the Miscellaneous Box of the W-2 form. The LODI amount was based on each individual LODI period from start date to end date. The number of LODI days in each two week regular gross period covered by each paycheck was then multiplied by a daily rate based on Annual Salary, Longevity, Night Shift and Holiday Pay.

If you believe an error exists, see item #15.

2. Annual Salary Versus Amount Actually Received
Wages and other compensation, as shown on the W-2, reflect monies actually paid to an employee during the calendar year, NOT ANNUAL SALARY. The amount reported on the W-2 form may include one or more of the following: supplemental checks, retroactive payments, longevity payments, non-pensionable cash payments, severance payments, etc.

Payroll LODI Calculations per Deim Calendar Year 2010

<table>
<thead>
<tr>
<th>Title</th>
<th>20 Yrs.</th>
<th>15 Yrs.</th>
<th>10 Yrs.</th>
<th>5 Yrs.</th>
<th>2nd Grade</th>
<th>3rd Grade</th>
<th>4th Grade</th>
<th>5th Grade</th>
<th>Probie</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firefighter, Fire Marshal, Marine Wiper, Special Assignment</td>
<td></td>
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***See Payroll Calculation charts distributed at February Union Meeting***

The charts include pay increases from August 1, 2009 to July 31, 2010. Refer to the charts that apply to your grade. The chart figures were provided by FDNY Payroll. It includes annual base, longevity, night shift & holiday pay, divided by 365 days except on leap years which are divided by 366 days, which is the Dept's standard formula used to determine your per Deim deduction for LODI medical leave.

• LODI FICA Refund Questions? The Office of Payroll Administration can be reached through email at FICARefund@payroll.nyc.gov. You can call them at 212-669-2333. You can fax inquiries to 212-669-3377. Check the OPA website at http://www.nyc.gov/html/opf/html/home/home.shtml for additional information.

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3. Payroll Check Stubs

Each pay period employees receive stubs containing the details of their pay: gross earnings, withheld taxes, health, Tax Deferred Annuity, union dues, pension deductions, etc. and year-to-date totals. Check stubs are valuable documents and should be retained. Check stubs are also a means of verifying the W-2 Wage and Tax Statement. UFA NOTE RE ANNUAL UNION DUES: IAIF is $3.25 x 26 pay periods = $84.50. UFA is $23.85 x 26 pay periods = $620.10. Total is $704.60 for the year. LODD Funeral Fund and Scholarship Fund= $1 per pay period each. Go to Employee Self Service (ESS) online for more Paystub Info. To access ESS go to www.nyc.gov/ess. Log-in using your self service ID and password. Then click sign-in. If it is your first time logging in use the seven-digit employee ID number found in the reference # box on your pay stub. Your initial password is the last two digits of your SSN and the eight digits of your birth date. The UFA highly recommends all members log-in ASAP and change your initial password to keep your ESS information secure and confidential.

4. "Year-to-date" Check Stubs Versus W-2 Amounts

Check stubs include information on year-to-date earnings. These amounts are limited to earnings from one agency. They do not include earnings from other payrolls or agencies. Year-to-date totals may not include all cancelled checks.

5. Multi-Agency W-2 Forms

The City of New York combines all earnings for one social security number onto one W-2 form (i.e. DoE, CUNY, Parks are combined). A Housing Authority, DoE custodian, and Custodian Helpers employees will receive a separate W-2.

6. Date of Service Versus Date of Check

The W-2 form includes all checks dated calendar year 2010. Any checks for arrears payments received in 2010 for service performed during a prior period will be included in the 2010 W-2 form.

7. Social Security/Medicare-Federal Tax Transfer

An employee's federal withholding tax may be affected by FICA (Social Security/Medicare) adjustments. Social Security/Medicare regulations stipulate that 2010 FICA deductions be made at the rate of (SS) 6.2% of $106,800 and (Medicare) 1.45% of all earnings. This yields a maximum SS deduction of $6,621.00. Medicare does not have any maximum. If, in error, more than $6,621.00 was deducted during the year, a REFUND CHECK will be issued by the NYC Office of Payroll Administration on or about April 2011. If less than the required $6,621.00 was deducted, the amount not deducted is transferred from the employee's Federal withholding taxes to the employee's SS/Medicare withholding. Per DO #105 of 2009: Full FICA 2010 deductions are made up of two different deductions: 1. Medicare @ 1.45% (Covering the medical insurance portion); and 2. Old Age, Survivors, and Disability Insurance @ 6.20% (OASI).

<table>
<thead>
<tr>
<th>Type of Tax</th>
<th>Rate</th>
<th>Maximum Wage Base</th>
<th>Maximum Deduction*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>1.45%</td>
<td>No Maximum</td>
<td>No Maximum</td>
</tr>
<tr>
<td>OASDI**</td>
<td>6.20%</td>
<td>$106,800</td>
<td>$6,621.00</td>
</tr>
<tr>
<td>Full FICA</td>
<td>7.65%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*An employee subject to full FICA at 7.65% would pay $8,170.20 on $106,800 and an additional $1.45 for each $100 in wages after that for Medicare. **Note: 2011 OASDI (Social Security) rates have been reduced to 4.20% from 6.20%.

8. Tax Deferred Annuity (TDA) Plan (457 & 401k)

The Deferred Compensation Plan (DCP) will provide you with a statement of your contributions. The W-2 form provides for TDA contributions to appear as a separate item in Box 12 labeled as "AA", "D", "E" or "G". Box 1 "Wages,..." on the W-2 form will be reduced by this amount. Please call the Deferred Compensation Plan at (212) 306-7760 for more information.

9. Pension Contributions IRC414H

Pension members' W-2's will show a gross wage reduced by the amount of their pension contributions. This contribution, shown in Box 14 and labeled as "IRC414H", is NOT subject to Federal income tax. However, it is subject to FICA (SS/Medicare) and State and City taxes. Please call your pension system for information. The IRS defines a NYC employee as belonging to a pension plan if the employee has a plan available to join regardless of whether the employee opts to join. Therefore, "retirement plan" in box 13 is checked.

10. Uniform Maintenance Allowance

Uniform cleaning allowance for Marine Titles, UFA and UFOA members was a non-taxable payment, and was excluded from the W-2 form. The Fire Marshals were taxed on uniform allowance, which was included on the W-2. UFA NOTE: The 'Uniform Cleaning Allowance Affidavit Income Qualifying as Working Condition Benefit' form must be prepared by eligible members in accordance with PAID 1-2006, Uniform Cleaning Allowance'. See your officer for the form. A copy must be kept at each member's assigned unit. The Dept recommends each member keep a copy and also provide a copy to your tax return preparer.

11. Dependent Care & Flexible Spending Accounts (IRC 125)

The Dependent Care Assistance Program (DECAP) is limited to a minimum of $500 and a maximum of $5,000. The Health Care Flexible Spending Account (HCBSA) is limited to a minimum of $260 and a maximum of $5,000. Health insurance plan deductions for basic and/or optional riders are deducted from one's payroll check. All of the previous contributions are treated on a pre-tax basis. The contributions will reduce Gross wages, TDA (your 457 & 401k), and SS/Medicare wages and taxes. However, it is subject to State and City taxes. The aggregate amount of the contributions is shown in box 14 labeled as "IRC125." Additionally, DECAP will be shown in box 10. For further information, call 212-306-7760.

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12. Auto Usage/Parking Fringe Benefit
Certain employees who have a car assigned to them and drive to and from home for commuting purposes, will have an amount added to their Gross Wages and SS/Medicare Wages. This amount is shown in Box 14. In addition, the SS/Medicare tax owed on the fringe benefit will be transferred from Federal Withholding (Box 2) to SS/Medicare Withholding (Box 4 and Box 6). See attachment to DO #6 of 2011 for more info.

13. Domestic Partners Benefit
City employees and retirees covered by the City Health Benefits Program have been granted the right to add their Domestic Partners to their City Health plan coverage. A portion of the amount paid by an employer attributable to coverage of an employee’s Domestic Partner is taxable. Therefore, Gross Wages and SS/Medicare wages on the W-2 will be increased. For further information, call 212-306-7605.

14. Transit Benefit Program IRC132
Under IRC132, the City allows employees to purchase a Premium TransitChek MetroCard, establish a TSA debit card account or contribute to cover some public transportation costs through Access-A-Ride on a pre-tax basis through payroll deductions. These deductions, shown in Box 14 and labeled as "IRC132," are not subject to income taxes, SS and Medicare taxes. See attachment to DO #6 of 2011 for more info.

15. Errors on W-2 Statement & LODI Deductions
a. W-2 Error: If you believe an error exists on your W-2 forms, you should obtain a "W-2 Correction Request Form" from the Uniform Payroll Unit at (718) 999-2288 or at www.NYC.gov/payroll. When completed, this form should be faxed to (212) 669-4928 or mailed to: OPA W-2 Adjustment Unit, 1 Centre Street, Room 200N, New York, N.Y. 10007. Amended W-2’s (Form W-2c) are used for W-2 corrections. If after review, the W-2 has been determined to be incorrect, form W-2c will be mailed to the employee from the OPA. Only corrected data will appear on the W-2c. Income tax authorities are notified of corrections. You must file income tax returns with W-2c forms plus original W-2.

b. Duplicate W-2: Members who need to request a duplicate W-2 should contact the Uniform Payroll Unit at (718) 999-2288. However, if an employee has an incorrect or missing address on the W-2, the W-2 is still valid and should be filed.

c. LODI SS Deduction Error: Questions regarding Line-of-Duty Injuries should be forwarded by sending a LODI Reconciliation Form to Robin Hirschorn, LODI Administrator, 9 MetroTech Center, 2nd Floor, Brooklyn, NY 11201, listing the dates you believe you were on LODI. Use the FDNY forms provided by your unit. Any request for review requires review of not only the dates in question, but the entire medical leave episode. The decision may not always be favorable and may actually affect your entire medical leave episode. After review, the Bureau of Health Services will notify you and the Bureau of Payroll if the original LODI dates were incorrect, therefore, entitling you to an adjustment. The Bureau of Payroll will then have a W-2c (corrected W-2 form) issued and mailed to your home. Please note that this procedure may result in your receiving a W-2c after April 15, 2011, the deadline for filing your tax return.

16. 2011 Social Security Info Booklet
The UFA’s new 14 page booklet, “What Every Employee Needs to Know,” was distributed to each Delegate at the January Union Meeting plus an update insert was distributed at the February Union Meeting. Delegates keep this in the inside cover pocket of their Delegate Manuals. It contains info about Social Security Funds, Retirement Benefits, Disability Benefits, Survivors’ Benefits, Medicare, Request for SS Statement and other benefit info. Members who wish to review the booklet should contact their Delegates if they have any Social Security questions.

The UFA Recommends that members consult with their own accountant or tax professional prior to making any tax related decisions. Each member’s financial circumstances are unique and may warrant different treatment. Your tax professional, who is familiar with your particular tax and income issues, can help you to make decisions that are valid for your specific circumstances.

IRS, NYS, NYC & SSA Tax Info:
IRS 1-800-829-1040, NYS 1-800-CALL-TAX, SSA 1-800-772-1213

Joseph A. Miccio
Recording Secretary

Stephen J. Cassidy
President

•Website www.UFANYC.org
•Send 65-2 info to 652@UFANYC.org or fax # 212-683-4359
•Health/Safety complaint fax (212) 683-4768 or Health&Safety@UFANYC.org
Always call to verify your fax or email was received!!!